

Warsaw, 2003-11-07

United States Securities
and Exchange Commission
Washington D.C. 20549
USA



Ref.: 82-5025



SUPPL

Dear Sirs,

Please find enclosed the text of the 3 quarter 2003 Report.

Best regards

Krzysztof Gerula

Vice-President

PROCESSED

DEC 03 2003

**THOMSON
FINANCIAL**

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Report SA-Q 3/2003

(for issuers of securities with the business profile of production, construction, trade or services)

In accordance with § 57 section 1 item 1 of the Ordinance of the Council of Ministers dated October 16, 2001 (Journal of Laws no. 139, entry 1569, and no. 31, entry 280 of 2002)

the Board of Directors of **ORBIS S.A.**

submits in public this quarterly report for the III quarter 2003.

Date submitted: 05.11.2003

SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EURO	
	3 quarters 2003 ended Sept. 30, 2003 cumulative	3 quarters 2002 ended Sept. 30, 2002 cumulative	3 quarters 2003 ended Sept. 30, 2003 cumulative	3 quarters 2002 ended Sept. 30, 2002 cumulative
I. Net sales revenues	441 842	472 647	101 298	123 468
II. Operating profit (loss)	54 385	38 288	12 468	10 001
III. Profit (loss) before taxation	81 170	39 249	18 609	10 252
IV. Net profit (loss)	58 697	27 031	13 457	7 061
V. Net cash flows from operating activities	59 286	75 670	13 592	19 739
VI. Net cash flows from investing activities	-88 293	-51 025	-20 242	-13 328
VII. Net cash flows from financing activities	-25 749	-9 699	-5 903	-2 633
VIII. Total net cash flows	-54 756	14 846	-12 553	3 878
IX.. Total assets	1 416 460	1 415 722	305 041	347 144
X. Liabilities and reserve for liabilities	204 401	234 080	44 019	57 398
XI. Long-term liabilities	53 101	52 641	11 436	12 908
XII. Short-term liabilities	56 445	84 168	12 156	20 639
XIII. Shareholders' equity	1 212 059	1 181 642	261 023	289 746
XIV. Share capital	92 154	92 154	19 846	22 597
XV. Number of shares	46 077 008	46 077 008	46 077 008	46 077 008
XVI. Earnings (loss) per ordinary share (in PLN / EUR)	1,41	0,72	0,32	0,19
XVII. Diluted earnings (loss) per ordinary share (in PLN / EUR)				
XVIII. Book value per share (in PLN / EUR)	26,31	25,64	5,66	6,29
XIX. Diluted book value per share (in PLN / EUR)				
XX. Declared or paid-out dividend per ordinary share (in PLN / EUR)				

BALANCE SHEET

	as at Sept. 30, 2003 end of 3d quarter 2003	as at June. 30, 2003 end of 2nd quarter 2003	as at Sept. 30, 2002 end of 3d quarter 2002	as at June. 30, 2002 end of 2nd quarter 2002
Assets				
I. Fixed assets	1 236 529	1 218 353	1 237 668	1 243 847
1. Intangible assets	4 927	4 562	4 973	5 359
- goodwill	46	182	593	730
2. Tangible fixed assets	1 183 305	1 164 148	1 131 888	1 133 354
3. Long-term receivables	886	887	1 091	1 091
3.1. From subsidiary and associated companies	848	849	1 091	1 091
3.2. From other companies	38	38	0	0
4. Long-term investments	31 295	31 744	83 178	86 791
4.1. Real estate	0	0	8 878	12 601
4.2. Intangible assets	0	0	0	0
4.3. Long-term financial assets	30 900	31 349	73 905	73 795
a) in subsidiary and associated companies	29 594	30 043	29 506	29 396
- shares in companies valued under the equity method	0	0	0	0
b) in other companies	1 306	1 306	44 399	44 399
4.4. Other long-term investments	395	395	395	395
5. Long-term deferred expenses	16 116	17 012	16 538	17 252
5.1. Deferred income tax	16 116	16 991	15 342	15 634
5.2. Other deferred expenses	0	21	1 196	1 618
II. Current assets	179 931	195 250	178 054	166 006
1. Inventories	10 585	10 283	12 021	12 659
2. Current receivables	43 805	46 064	48 247	46 383
2.1. From subsidiary and associated companies	4 383	5 871	7 851	6 571
2.2. From other companies	39 422	40 193	40 396	39 812
3. Short-term investments	113 291	121 879	107 061	89 285
3.1. Short-term financial assets	96 025	104 613	90 644	75 177
a) in subsidiary and associated companies	0	0	0	0

b) in other companies	20 765	36 949	0	0
c) cash and cash equivalents	75 260	67 664	90 644	75 177
3.2. Other short-term investments	17 266	17 266	16 417	14 108
4. Short-term deferred expenses	12 250	17 024	10 725	17 479
Total Assets	1 416 460	1 413 603	1 415 722	1 409 853
Shareholders' Equity and Liabilities				
I. Shareholders' Equity	1 212 059	1 182 457	1 181 642	1 163 128
1. Share capital	92 154	92 154	92 154	92 154
2. Not paid-up share capital (negative value)	0	0	0	0
3. Own shares in treasury (negative value)	0	0	0	0
4. Reserve capital	727 968	727 815	707 568	707 001
5. Revaluation capital	268 114	268 268	285 630	287 328
6. Other reserve capitals	65 126	65 126	0	0
7. Prior years' profit (loss)	0	- 0	69 259	69 259
8. Net profit (loss)	58 697	29 094	27 031	7 386
9. Net profit write-downs during the financial year (negative value)	0	0	0	0
II. Liabilities and reserves for liabilities	204 401	231 146	234 080	246 725
1. Reserves for liabilities	76 205	77 110	77 471	79 630
1.1. Reserve for deferred income tax	17 698	16 999	14 002	14 580
1.2. Provisions for pension and similar benefits	36 727	38 608	44 656	46 795
a) long-term provisions	30 925	32 806	37 912	40 051
b) short-term provisions	5 802	5 802	6 744	6 744
1.3. Other provisions	21 780	21 503	18 813	18 255
a) long-term provisions	20 002	19 725	18 713	18 255
b) short-term provisions	1 778	1 778	100	0
2. Long-term liabilities	53 101	51 799	52 641	53 436
2.1. To subsidiary and associated companies	0	0	0	0
2.2. To other companies	53 101	51 799	52 641	53 436
3. Current liabilities	56 445	83 608	84 168	95 457
3.1. To subsidiary and associated companies	384	681	600	651
3.2. To other companies	46 811	72 118	72 942	82 471
3.3. Special funds	9 250	10 809	10 626	12 335
4. Accrued expenses and deferred income	18 650	18 629	19 800	18 202
4.1. Negative goodwill	0	0	0	0
4.2. Other accrued expenses and deferred income	18 650	18 629	19 800	18 202
a) long-term accruals	147	177	0	0
b) short-term accruals	18 503	18 452	19 800	18 202
Total Shareholders' Equity and Liabilities	1 416 460	1 413 603	1 415 722	1 409 853
Book value	1 212 059	1 182 457	1 181 642	1 163 128
Number of shares	46 077 008	46 077 008	46 077 008	46 077 008
Book value per share (in PLN) - basic	26,31	25,66	25,64	25,24
Diluted number of shares				
Book value per share (in PLN) - diluted				

OFF-BALANCE-SHEET ITEMS

	as at Sept. 30, 2003 end of 3d quarter 2003	as at June. 30, 2003 end of 2nd quarter 2003	as at Sept. 30, 2002 end of 3d quarter 2002	as at June. 30, 2002 end of 2nd quarter 2002
1. Contingent receivables	0	0	0	0
1.1. From subsidiary and associated companies (due to)	0	0	0	0
- guarantees received				
-				
1.2. From other companies (due to)	0	0	0	0
- guarantees received	0	0	0	0
-				
2. Contingent liabilities	4 438	4 993	4 993	4 993
2.1. In favour of subsidiary and associated companies (due to)	4 438	4 993	4 993	4 993
- guarantees extended	4 438	4 993	4 993	4 993
-				
2.2. In favour of other companies (due to)	0	0	0	0
- guarantees extended	0	0	0	0
-				
3. Other (due to)	0	0	0	0
-				
Total off-balance-sheet items	4 438	4 993	4 993	4 993

PROFIT AND LOSS ACCOUNT

	3d quarter ended Sept. 30, 2003	3 quarters ended Sept. 30, 2003 cumulative	3d quarter ended Sept. 30, 2002	3 quarters ended Sept. 30, 2002 cumulative
I. Net sales revenues	170 386	441 842	172 128	472 647
- of which sales to subsidiary and associated companies	12 904	27 177	19 460	44 121
1. Net sales of products	169 142	438 145	170 838	468 638
2. Net sales of merchandise and raw materials	1 244	3 697	1 290	4 009
II. Cost of products, merchandise and raw materials sold	99 556	292 817	112 949	337 838
- of which sold to subsidiary and associated companies	5 683	11 301	5 866	13 799
1. Cost of products sold	99 201	291 698	112 541	336 598
2. Cost of merchandise and raw materials sold	355	1 119	408	1 240
III. Gross profit (loss) on sales (I-II)	70 830	149 025	59 179	134 809
IV. Distribution expenses	9 868	27 597	10 202	28 838
V. General administrative expenses	19 949	59 289	20 727	62 102
VI. Profit (loss) on sales (III-IV-V)	41 013	62 139	28 250	43 869
VII. Other operating income	1 570	7 070	3 137	7 267
1. Gain on disposal of non-financial fixed assets	- 14	96	- 344	0
2. Subsidies	5	17	5	17
3. Other operating income	1 579	6 957	3 476	7 250
VIII. Other operating expenses	3 216	14 824	4 631	12 848
1. Loss on disposal of non-financial fixed assets	0	0	213	213
2. Revaluation of non-financial fixed assets	199	1 012	0	0
3. Other operating costs	3 017	13 812	4 418	12 635
IX. Operating profit (loss) (VI+VII-VIII)	39 367	54 385	26 756	38 288
X. Financial income	1 314	28 878	1 709	4 877
1. Equity income - dividends	0	1 448	0	175
- of which from subsidiary and associated companies	0	1 448	0	0
2. Interest receivable	664	2 175	874	2 500
- of which from subsidiary and associated companies	- 0	16	0	30
3. Gain on disposal of investments	449	23 286	0	0
4. Revaluation of investments	- 42	112	0	0
5. Other financial income	243	1 857	835	2 202
XI. Financial expenses	366	2 098	967	3 996
1. Interest payable	176	852	370	1 848
- of which to subsidiary and associated companies	0	0	0	0
2. Loss on disposal of investments	0	0	0	0
3. Revaluation of investments	0	282	0	989
4. Other financial expenses	190	964	597	1 159
XII. Profit (loss) on ordinary activities (IX+X-XI)	40 315	81 165	27 498	39 169
XIII. Result of extraordinary items (XIII.1. - XIII.2.)	- 2	6	- 2	80
1. Extraordinary gains	48	63	26	115
2. Extraordinary losses	50	58	28	35
XIV. Profit (loss) before taxation (XII+/-XIII)	40 313	81 170	27 496	39 249
XV. Corporate income tax	10 710	22 473	7 851	12 218
a) current portion	9 136	20 587	7 855	12 541
b) deferred portion	1 574	1 886	- 4	- 323
XVI. Other obligatory profit decreases (loss increases)	0	0	0	0
XVII. Share in net profits (losses) of companies valued under the equity method	0	0	0	0
XIX. Net profit (loss) (XIV-XV-XVI+/-XVII)	29 603	58 697	19 645	27 031
Net profit (loss) (on annual basis)		65 020		33 124
Weighted average number of ordinary shares		46 077 008		46 077 008
Earning (loss) per ordinary share (in PLN) - basic		1,41		0,72
Diluted weighted average number of ordinary shares				
Earning (loss) per ordinary share (in PLN) - diluted				

STATEMENT OF SHAREHOLDERS' EQUITY

	3d quarter ended Sept. 30, 2003	3 quarters ended Sept. 30, 2003 cumulative	3d quarter ended Sept. 30, 2002	3 quarters ended Sept. 30, 2002 cumulative
I. Shareholders' Equity at the beginning of period (opening balance)	1 182 457	1 170 396	1 163 128	1 175 150
a) changes in accepted accounting principles (policies)	0	0	0	- 977
b) corrections of material faults	0	0	0	0
I. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data	1 182 457	1 170 396	1 163 128	1 174 173
1. Share capital at the beginning of period	92 154	92 154	92 154	92 154
1.1. Changes in share capital	0	0	0	0
a) additions, of which:	0	0	0	0
- issuance of shares	0	0	0	0
-	0	0	0	0
b) reductions, of which:	0	0	0	0
- retirement of shares	0	0	0	0
-	0	0	0	0
1.2. Share capital at the end of period	92 154	92 154	92 154	92 154
2. Not paid-up share capital at the beginning of period	0	0	0	0
2.1. Changes in not paid-up share capital	0	0	0	0
a) additions, of which:	0	0	0	0
-	0	0	0	0
b) reductions, of which:	0	0	0	0
-	0	0	0	0
2.2. Not paid-up share capital at the end of period	0	0	0	0
3. Own shares in treasury at the beginning of period	0	0	0	0
3.1. Changes in own shares in treasury	0	0	0	0
a) additions, of which:	0	0	0	0
-	0	0	0	0
b) reductions, of which:	0	0	0	0
-	0	0	0	0
3.2. Own shares in treasury at the end of period	0	0	0	0
4. Reserve capital at the beginning of period	727 815	708 078	707 001	674 405
4.1. Changes in reserve capital	153	19 890	567	33 163
a) additions, of which:	- 186	19 890	567	33 426
- additional paid-in capital from issuance of shares	0	0	0	0
- distribution of profit (by law)	0	0	0	0
- distribution of profit (in excess of value required by law)	0	19 308	0	32 547
- transfer from revaluation capital	153	381	567	879
- sale of the right to perpetual usufruct of land	0	201	0	0
b) reductions, of which:	0	0	0	263
- coverage of loss	0	0	0	263
-	0	0	0	0
4.2. Reserve capital at the end of period	727 968	727 968	707 568	707 568
5. Revaluation capital at the beginning of period	268 268	269 862	287 328	287 640
5.1. Changes in revaluation capital	- 154	- 1 748	- 1 698	- 2 010
a) additions, of which:	0	505	283	283
- reserve for deferred income tax charged to capital	0	505	283	283
b) reductions, of which:	153	2 253	1 981	2 293
- sale or disposal of tangible fixed assets	153	381	567	879
- reserve for deferred income tax charged to capital	0	0	0	0
- reclassification of investments	0	1 872	1 414	1 414
5.2. Revaluation capital at the end of period	268 114	268 114	285 630	285 630
6. Other reserve capital at the beginning of period	65 126	0	0	0
6.1. Changes in other reserve capital	0	65 126	0	0
a) additions, of which:	0	65 327	0	0
- distribution of profit	0	65 327	0	0
b) reductions, of which:	0	201	0	0
- sale of the right to perpetual usufruct of land	0	201	0	0
6.2. Other reserve capital at the end of period	65 126	65 126	0	0
7. Prior years' profit (loss) at the beginning of period	0	100 302	69 259	120 951
7.1. Prior years' profit at the beginning of period	0	100 302	69 259	121 214
a) changes in accepted accounting principles (policies)	0	0	0	- 977
b) corrections of material faults	0	0	0	0
7.2. Prior years' profit at the beginning of period, after restatement to comparative data	0	100 302	69 259	120 237
a) additions, of which:	29 094	0	7 386	0
- distribution of prior years' profit	0	0	0	0
- prior quarter's profit	29 094	0	7 386	0
b) reductions, of which:	0	100 302	0	50 978
- distribution of prior years' profit	0	100 302	0	50 978
7.3. Prior years' profit at the end of period	29 094	0	76 645	69 259
7.4. Prior years' loss at the beginning of period	0	0	0	263
a) changes in accepted accounting principles (policies)	0	0	0	0

b) corrections of material faults	0	0	0	0
7.5. Prior years' loss at the beginning of period, after restatement to comparative data	0	0	0	263
a) additions, of which:	0	0	0	0
- transition of prior years' loss to be covered	0	0	0	0
- prior quarter's loss	0	0	0	0
b) reductions, of which:	0	0	0	263
- coverage from reserve capital	0	0	0	263
- coverage from net profit	0	0	0	0
7.6. Prior years' loss at the end of period	0	0	0	0
7.7. Prior years' profit (loss) at the end of period	29 094	0	76 645	69 259
8. Net profit (loss)	29 603	58 697	19 645	27 031
a) net profit	29 603	58 697	19 645	27 031
b) net loss	0	0	0	0
c) charges on the profit	0	0	0	0
II. Shareholders' Equity at the end of period (closing balance)	1 212 059	1 212 059	1 181 642	1 181 642
III. Shareholders' Equity adjusted by the proposed distribution of profit (coverage of loss)	0	0	0	0

CASH FLOW STATEMENT

	3d quarter ended Sept. 30, 2003	3 quarters ended Sept. 30, 2003 cumulative	3d quarter ended Sept. 30, 2002	3 quarters ended Sept. 30, 2002 cumulative
A. Cash flows from operating activities - direct method				
I. Cash provided by operating activities				
1. Sales revenues				
2. Other income from operating activities				
II. Cash used in operating activities				
1. Goods and services purchased				
2. Net salaries and wages				
3. Social and health security, other benefits				
4. Taxes and charges				
5. Other operating expenses				
III. Net cash flows from operating activities (I-II)				
A. Cash flows from operating activities - indirect method				
I. Net profit (loss)	29 603	58 697	19 645	27 031
II. Total adjustments	11 043	589	33 941	48 539
1. Share in net (profits) losses of companies valued under the equity method	0	0	0	0
2. Depreciation and amortisation	12 851	38 269	16 937	50 743
3. (Gain) loss on foreign exchange differences	- 8	- 8	- 48	96
4. Interest and dividends	246	- 54	337	1 110
5. (Gain) loss on investing activities	- 475	- 23 371	1 247	1 218
6. Change in provisions	- 920	1 289	- 1 876	- 4 737
7. Change in inventories	- 74	960	839	1 987
8. Change in receivables	271	- 8 200	- 1 964	- 12 131
9. Change in current liabilities (excluding loans and bank credits)	- 7 829	- 4 506	10 351	12 460
10. Change in deferred and accrued expenses	6 874	- 3 228	8 544	- 3 203
11. Other adjustments	107	- 562	- 426	996
III. Net cash flows from operating activities (I+II)	40 646	59 286	53 586	75 570
B. Cash flows from investing activities	0	0	0	0
I. Cash provided by investing activities	104 334	464 844	267	709
1. Disposal of intangible assets and tangible fixed assets	111	590	254	696
2. Disposal of investments in real-estate and intangible assets	0	0	0	0
3. From financial assets, of which:	593	22 609	13	13
a) in subsidiary and associated companies	593	593	0	0
- disposal of securities	0	0	0	0
- dividends and shares in profits	593	593	0	0
- long-term loans collected	0	0	0	0
- interest received	0	0	0	0
- other income from financial assets	0	0	0	0
b) in other companies	0	22 016	13	13
- disposal of securities	0	22 016	0	0
- dividends and shares in profits	0	0	13	13
- long-term loans collected	0	0	0	0
- interest received	0	0	0	0
- other income from financial assets	0	0	0	0
4. Other investing income	103 630	441 645	0	0
II. Cash used in investing activities	- 118 058	- 553 137	- 15 871	- 51 734
1. Purchases of intangible assets and tangible fixed assets	- 31 019	- 92 408	- 15 843	- 51 641
2. Purchases of investments in real-estate and intangible assets	0	0	0	0
3. For financial assets, of which:	0	0	- 28	- 93

a) in subsidiary and associated companies	0	0	- 28	- 84
- acquisition of securities	0	0	- 28	- 84
- long-term loans granted	0	0	0	0
b) in other companies	0	0	0	- 9
- acquisition of securities	0	0	0	- 9
- long-term loans granted	0	0	0	0
4. Other investing expenses	- 87 039	- 460 729	0	0
III. Net cash flows from investing activities (I-II)	- 13 724	- 88 293	- 15 604	- 51 025
C. Cash flows from financing activities	0	0	0	0
I. Cash provided by financing activities	0	0	0	19 446
1. Issuance of shares and other capital securities and additional paid-in capital	0	0	0	0
2. Bank credits and loans contracted	0	0	0	19 446
3. Issuance of debt securities	0	0	0	0
4. Other financial income	0	0	0	0
II. Cash used in financing activities	- 19 326	- 25 749	- 22 515	- 29 145
1. Acquisition of own shares	0	0	0	0
2. Dividends and other payments to shareholders	- 15 667	- 15 667	- 18 431	- 18 431
3. Profit distribution expenses other than payments to shareholders	0	0	0	0
4. Payments of bank credits and loans	- 3 137	- 8 141	- 3 138	- 8 142
5. Redemption of debt securities	0	0	0	0
6. Payments of other financial liabilities	0	0	0	0
7. Finance lease commitments paid	0	0	0	0
8. Interest paid	- 522	- 1 941	- 946	- 2 572
9. Other financial expenses	0	0	0	0
III. Net cash flows from financing activities (I-II)	- 19 326	- 25 749	- 22 515	- 9 699
D. Total net cash flows (A.III+/-B.III+/-C.III)	7 596	- 54 756	15 467	14 846
E. Change in balance-sheet cash and cash equivalents	7 596	- 54 756	15 467	14 846
- of which change in cash and cash equivalents due to foreign exchange differences	0	0	0	0
F. Cash and cash equivalents - beginning of period	67 664	130 016	75 177	75 798
G. Cash and cash equivalents - end of period (F+/-D)	75 260	75 260	90 644	90 644
- of which those with restricted availability	0	0	0	0

Signature of person
representing the Company

Andrzej Szuldrzyński
Vice president

Signature of person responsible
for the Company's accounting records

Lidia Mieleczko
Chief Accountant

Notes to the report for the 3rd quarter of 2003

1. Background

- 1.1** The report in question sets out the balance sheet according to the accounting books as at September 30, 2003 and 2002, and as at June 30, 2003 and 2002, the profit and loss account, the cash flow account and comparative data concerning the cumulative changes in the Company's equity for three quarters of 2003 and 2002 as well as for the 3rd quarter of 2003 and 2002 alone.

The report in question covers the aggregate figures reported by all the organizational units that keep separate accounts and that altogether constitute the company Orbis S.A.

- 1.2** The financial statements have been prepared on the assumption that the Company further continues its business operations.

2. The following accounting principles have been applied for the purpose of preparing the financial statements for the 3rd quarter of the year 2003:

2.1 Basis for preparation of the financial statements

The financial statements of Orbis S.A. were prepared on the basis of accounting books kept in accordance with the Polish Accounting Standards, i.e. the Polish Accounting Act of September 29, 1994, as further amended. The principle of historic cost accounting was adopted for the purpose of preparing the financial statements.

2.2 Intangible fixed assets

The intangible fixed assets shown in the financial statements have been valued at their acquisition cost or cost of manufacture less cumulated depreciation write-offs calculated according to the rates reflecting the period of their usage and less write-offs for a permanent loss in value.

2.3 Tangible fixed assets and depreciation

Fixed assets are valued as at the date of their entry into accounting books at acquisition cost or manufacture cost. Fixed assets obtained gratuitously are valued at the net selling price of the same or a similar component of fixed assets.

As at the balance sheet day, fixed assets are valued at acquisition cost or cost of manufacture or at revalued value (following revaluation of fixed assets) less accrued depreciation write-offs and write-offs for a permanent loss in value.

Fixed assets have been revalued from time to time in the past according to their market value or indices announced by the President of the Main Statistical Office. The net result of fixed assets revaluation is appropriated directly to the Company's reserves. The last revaluation of the fixed assets was performed as at January 1, 1995.

Work in progress is appraised at the acquisition cost or cost of manufacture, taking into account the cost of servicing liabilities taken for the purposes of their financing and related exchange rate differences minus revenues derived therefrom. In case of a

permanent loss in value of a fixed asset under construction, it is revalued so that its value equals the net selling price or, in the absence of the net selling price, the fair value of the fixed asset determined otherwise.

The titles to the perpetual usufruct of land reported for the first time in the balance sheet, due to the fact that the land has been gratuitously acquired from the local administrative authorities, have been recorded at prices stated in the decisions of the local administrative authorities, issued at the time of hand-over of these titles, that constitute the basis for the calculation of an initial fee for the use of this land.

The housing cooperative member's title to buildings and premises has been reported at the acquisition price.

Throughout the years 1998-2000, the Company benefited from an investment allowance (relief) in the income tax settlement.

2.4. Depreciation

A rate of depreciation reflecting the period of economic life of a given assets component is determined as at the date of acquisition of a component of intangible fixed assets and fixed assets.

The period of economic life of a component of fixed assets serves as the basis for the establishment of a period and rate of depreciation of intangible fixed assets as well as the period, the annual rate and method of depreciation of fixed assets.

Depreciation write-offs are made starting from the first day of the month following the month in which a given asset was accepted for use until the end of the month in which the value of depreciation write-off became equal to its initial value or in which an asset was designed for liquidation, sold or its lack was reported.

2.5 Long-term investments

Long-term investments comprise assets acquired by the Company for the purposes of generating economic benefit, among others real property, long-term financial assets (participations, shares in other companies and long-term securities), intangibles as well as works of art. As at the acquisition date they are reported according to the price of acquisition or price of purchase, if the costs of carrying out and settling the transaction are insignificant.

As at the balance sheet day they are valued at the market price determined on the basis of a valuation performed by real property expert, except for works of art, the value of which is specified in specialist catalogues.

The titles to the perpetual usufruct of land reported for the first time in the balance sheet and classified as long-term investments have been recorded at prices stated in the first decisions of the local administrative authorities that constitute the basis for calculating initial fees for the use of these plots of land.

2.6 Interest in subsidiaries and affiliates

Interest in subsidiaries and affiliates regarded as fixed assets have been valued at acquisition cost less depreciation write-offs for a permanent loss in value.

2.7 Short-term investments

Short-term investments in non-financial assets are reported as at the date of their acquisition at acquisition cost or purchase price if the costs of carrying out and settling the transaction are insignificant. As at the balance sheet day, they are valued at the acquisition cost or market value (fair value), whichever is lower, while short-term investments for which no active market can be found are appraised according to their fair value determined otherwise.

Titles to the perpetual usufruct of land reported for the first time in the balance sheet and classified as short-term investments have been recorded at prices stated in the first decisions of the local administrative authorities that constitute the basis for calculating the initial fees for the use of these plots of land.

2.8 Derivatives

Derivatives are reported when the Company becomes a party to a binding contract.

As at the balance date derivatives are appraised at their fair value. Derivatives with fair value exceeding "zero" are treated as financial assets while derivatives with negative fair value are treated as financial liabilities.

Profit or loss derived from derivatives is reported in financial revenues or costs, accordingly and, in the cash flow statement as a flow from operating activities.

2.8.1 Reporting securing derivatives

Profits and losses derived from a change in the fair value resulting from the valuation of a instrument securing the fair value are reported, as at the balance sheet date, as financial costs or income in the profit and loss account in the period in which they were incurred. At the same time, profit or loss from a protected item, which could be attributed to protected risk, adjust the balance sheet value of the protected item and are immediately reported in the profit and loss account as financial income or costs.

Profits and losses derived from a change in the fair value of an instrument securing cash flows are disclosed under a separate item of equity (revaluation reserve) in such a part as a given instrument represents an efficient protection of a related item that is being secured. The inefficient part is accounted for in the profit and loss account under „financial income" or "financial costs" item. Profits and losses from the securing instrument are reported in the profit and loss account when the secured component of assets and liabilities affects the profit and loss account.

2.8.2 Derivatives incorporated in contracts

Derivatives incorporated in contracts are conditions following from an executed agreement as a result of which a part or the entirety of cash flows derived from the contract changes in a manner similar to that that would be caused by independent derivatives. They form part of the so-called basic contracts.

2.9 Creditors and debtors

Amounts due to creditors and from debtors, save for those resulting from financial instruments, are valued, as at the date of their entry into accounting books, at their nominal value adhering to the principle of prudence. Amounts due to creditors and from debtors are reported at the actual value due to be paid by debtors or to creditors.

Transactions in foreign currencies are reported according to the average rate of exchange of the given currency as at the date of transaction determined by the National Bank of Poland (NBP) unless other exchange rate was specified in a customs declaration or other document binding for a given entity. As at the date of preparation of the financial statements all amounts due from debtors denominated in foreign currencies are converted according to the average daily foreign currency purchase rate of a given currency quoted on the given day by the Company's bank, i.e. Bank Handlowy, which cannot be higher than that average rate announced by the National Bank of Poland for the given day, while all the amounts due to creditors denominated in foreign currencies are converted according to the average daily currency sale rate for the given day quoted by the Company's bank, i.e. Bank Handlowy for a given day, which cannot be higher than that average rate of that currency announced by the National Bank of Poland for the given day.

The amounts due from debtors are revalued considering the degree of probability that the debt is collectible by way of a revaluation write-off to reduce the value of debtors. Revaluation write-offs are made for:

- amounts due from debtors that have been put into liquidation or bankruptcy,
- amounts due from debtors involved in proceedings for an arrangement with creditors or involved in conciliatory proceedings,
- debts questioned by debtors (litigious),
- amounts due from debtors involved in remedial proceedings,
- amounts under litigation,

up to 100% of the amount due.

Furthermore, the following general revaluation write-offs are made to update the amounts due from debtors that have been:

- overdue for 6 – 9 months – up to 50% of the amount due,
- overdue for 9 – 12 months – up to 80% of the amount due,
- overdue for over 12 months – up to 100% of the amount due.

2.10 Stocks

Tangible current assets are appraised at the average weighted acquisition cost at the date of their acquisition. The acquisition cost (cost of transport, storage, etc.) of raw materials, semi-products, packing and goods is posted to costs in its entirety at the moment of payment. The weighted average of the acquisition cost is applied for the purposes of valuation of outgoing raw materials, semi-products and packing.

During the reporting period, products in hotel shops are valued at their inventory price determined at the level of a retail price comprising the purchase price, the trade margin and the output VAT. As at the balance date, the value of stocks is adjusted to take into

account the VAT and the deflections from the trade margin, hence as a result the value of goods reaches the purchase price.

Tangible current assets are reported at the purchase price or net selling price, whichever is lower.

If an event that permanently reduces the value of stocks occurs during the financial year, revaluation write-offs are made.

2.11 Cash and cash equivalents

As at the balance sheet date, cash and cash equivalents denominated in PLN are appraised according to their nominal value, while cash and cash equivalents denominated in foreign currencies are converted into PLN at the purchase rate of exchange of the bank that services the Company's transactions, however, not higher than the average rate of exchange quoted by the National Bank of Poland (NBP).

2.12 Deferred costs and prepayments

As at the balance day, deferred costs are reported according to the initial value less write-offs that had been posted to costs by the balance sheet day. Prepayments are reported, as at the balance sheet day, at their initial value less write-offs, made prior to the balance sheet day, representing the liquidation of a prepayments item corresponding to revenues or capital.

Prepayments are reported according to the principle of prudence and include in particular the equivalent of payments received or due from business partners for services which will be provided in the next reporting periods or cash received to finance the acquisition or manufacture of fixed assets, equivalent of fixed assets under construction acquired gratuitously, fixed assets and intangibles and a negative goodwill.

2.13 Deferred income tax

According to the Polish regulations, the Company calculates the income tax liabilities for the year 2003 at 27% of its taxable income.

The deferred income tax assets are determined according to the amount estimated to be deducted from the income tax in the future in relation to negative temporary differences, which will in future reduce the taxation base and a tax loss that may be deducted in the future, calculated according to the principle of prudence.

The main factors that affect the occurrence of negative temporary differences are as follows:

- applying a lower depreciation rate for tax purposes than for accounting purpose,
- accrued but unpaid interest on loans, resulting from executed contracts,
- accrued unrealized negative foreign exchange differences,
- set up provisions for anticipated liabilities and losses, including cost-related provisions, which are sure to induce a tax cost at the time of their use,
- made assets revaluation write-offs that will reduce the taxation base in the future

Provision for deferred income tax is set up in the amount of the income tax to be due in the future in connection with the occurrence of positive foreign exchange differences, i.e. differences that will bring about an increase in the taxation base in the future.

The main factors affecting the creation of positive temporary differences include:

- applying a higher depreciation rate for tax purposes than for accounting purposes,
- reporting revenues from unpaid interest on loans granted or other financial assets,
- accrued unrealized positive foreign exchange differences,
- assets revaluation up to the fair value exceeding their acquisition value.

The amount of a provision and assets for the deferred income tax is determined, as at the balance sheet day, in consideration of income tax rates applicable in the year in which the tax liability originated, as a product of the sum of temporary differences (positive and negative, accordingly) and the income tax rate applicable in the year in which the tax liability originated.

Deferred tax on revenues and costs posted directly to equity is also posted to equity.

2.14 Equity

Equity and other assets and liabilities are assessed at their nominal value.

The initial capital of Orbis S.A. is reported according to the amount specified in an agreement or Statutes and entered in the court register. The initial capital must be valued at least as often as any change in its nominal value occurs.

Supplementary capital comprises annual write-offs of at least 8% of net profit until such time as its value reaches at least 1/3 of the initial capital.

Reserve capital is created, independently of supplementary capital, from net profit up to the amount determined by the General Assembly of Shareholders.

Revaluation reserve is set up as at the day of:

- fixed assets revaluation performed in the Company pursuant to separate provisions of the law;
- valuation of long-term investments in financial and non-financial assets over and above their initial value (valuation at fair value);
- reporting of a surplus of a nominal value of taken up shares/interest over the value of property contributed in return;
- reporting of the amount of the deferred income tax settled with the revaluation reserve;

Additionally, the revaluation reserve is created (or increased) as a result of the posting of effects of financial instruments.

Other reserves are created in the amount equivalent to the value of titles to the perpetual usufruct of land granted to Orbis S.A. by virtue of decisions of the local administrative authorities and entered for the first time in the balance sheet as assets at prices stated in the first decisions of the local administrative authorities that constitute the basis for calculating the initial fees for the use of this land. The value of the reserves may not be reclassified as supplementary capital, except when the titles to the perpetual usufruct of land are sold.

2.15 Provisions

Provisions are set up for contingent liabilities that are certain or highly likely and the amount of which can be reliably assessed.

Provisions for liabilities are created and classified depending on the reason for their creation in the following groups:

- provisions for liabilities related to basic operating activities, resulting from the costs incurred over a given period, that were documented by means of an external accounting proof as at the balance sheet day;
- provisions arising out of the provisions of the law, for benefits for employees to be realized in the course of future reporting periods;
- provisions for the current and deferred income tax;
- other provisions for liabilities,
- restructuring provisions.

Provisions are created in a justified and reasonably assessed amounts as at the date of the occurrence of an event making it necessary for such a provision to be set up, not later however than at the end of the reporting period. As at the balance sheet day, the balance of provisions is verified and appropriate adjustments are made, if necessary, so that the balance of provisions reflects the current, most reliable assessment of its value.

2.16 Principles of determining profit (loss)

In Orbis S.A. the net profit (loss) is composed of:

- a) operating profit (loss):
 - profit (loss) from core operating activities,
 - profit (loss) from other operating activities,
- b) profit (loss) from financial operations,
- c) extraordinary items,
- d) obligatory charges of financial profit due to income tax paid by Orbis S.A. and payments equalized with it on the basis of separate regulations, broken down into:
 - current income tax resulting from the taxation base,
 - deferred income tax representing a change of the balance of assets and provisions for deferred income tax.

The profit (loss) on the core operating activities constitutes a difference between revenues and costs relating to the Company's core operating activities. Revenues from the sale of services are valued according to invoiced and rendered services.

Profit (loss) on other operating activities constitutes a difference between revenues and costs directly relating to operating activities of the Company. Other operating income and costs embrace the following:

- revenues and costs being a result of ongoing events that took place in the course of the reporting period,
- revenues and costs being a result of changed estimates made at the valuation of assets and liabilities other than financial liabilities,
- revenues as a result of benefits generated in the preceding years being cleared in the future periods.

The profit (loss) on financial operations constitutes a difference between financial income and financial costs comprising the following groups:

- income from interest, dividends and other benefits resulting from keeping financial assets;
- costs of discount and interest on financial liabilities,

- income in the form of interest on trade debtors and other receivables not treated as financial assets and costs of interest on trade creditors and other liabilities not posted to financial liabilities,
- income and costs of foreign exchange differences,
- income from the reinstatement of the value of financial assets up to the amount of write-off for loss in value previously posted to financial costs,
- costs of estimates and changes thereof at the time of valuation of assets and financial liabilities,
- income relating to the increase in the value of short-term financial assets over their initial value up to their market price value,
- income from the sale of investments, as divided into income from the sale of investments in financial and non-financial assets and costs of sale of financial assets,
- costs of current transactions connected with financial operations.

The result on extraordinary items is a difference between profits and losses that occurred as a result of events that are difficult to be foreseen, not connected with the operating activities of units and not related to the general risk of conducting operations, in particular it applies to catastrophes, fires, floods and other misfortune. The result on extraordinary operations includes profits or losses incurred in the current period that occurred as a result of misfortune, loss incurred in relation to the setting up of a provision for misfortune or the change of its amount, profits from the dissolution of such a provision or the change in the amount of unused provisions for misfortune events.

Current income tax, charged to the financial result of the reporting period, is determined at the amount of income tax due, as shown on the tax declaration for the current reporting period, net of the amount of the current income tax for past years if it is classified as a basic (fundamental) error which is reported in equity as an adjustment of profit/loss from past years.

Deferred income tax charged to the financial result of the reporting period constitutes a change in the balance of assets and provisions for deferred income tax being the result of events reported in the financial result covering that period.

3. Information concerning adjustments for provisions, provision as well as deferred income tax assets and revaluation write-offs made.

- a) In the current quarter the Company revalued provisions for the following future expenditure and liabilities:
 - a provision for jubilee awards, retirement severance pays and disability pensions of PLN 4,596 thousand was used and a provision of PLN 1,265 thousand was set up, so at the end of the 3rd quarter of 2003, the provision for jubilee awards and retirement severance pays totalled PLN 36,727 thousand,
- b) Provision and assets for deferred income tax.
The amounts of provisions and assets for deferred income tax were revalued to take into account temporary differences in the income tax.

In the current period the provision for deferred income tax increased by PLN 699 thousand and was in its entirety posted to the profit.

Assets for deferred income tax decreased during the current quarter by PLN 875 thousand, which has been posted to profit in its entirety.

c) Write-offs to revalue the assets.

Assets for deferred income tax have been revalued at the end of the current quarter. The assets revaluation write-off in the amount of PLN 1,294 thousand was charged to the profit.

4. The Management Board's position as regards the possibility of generating results in a given year in accordance with previously published projections, in the light of results presented in the quarterly report as compared to projected results.

The Management Board of Orbis S.A. did not publish any projections as regards the Company's results.

5. Analysis of figures reported in the balance sheet

The balance sheet total as at the end of 3rd quarter of 2003 did not show any significant changes as compared to the balance from the preceding year.

Assets:

Owing to specific features of Company's business, the structure of Orbis S.A. assets is stable, without any significant changes reported in the 3rd quarter of 2003. Traditionally, it is dominated by fixed assets (87.3% of total assets) with the prevailing share contributed by the tangible fixed assets (95.7% of fixed assets) – hotel buildings and land. In current assets the dominant role is played by short-term investments (63% share in current assets) followed by short-term receivables (24.4%).

As at the end of the 3rd quarter of 2003, fixed assets were at the level reported at the end of the 3rd quarter of the past year and went up by 1.5% as compared to the end of the preceding quarter.

This was attributable to several significant factors including, among others, the last year's sale of a Dutch law company under the business name of AWSA Holland II BV and to the reclassification of real property that used to be treated as investments to short-term investments that was performed this year as well as to the redemption of capital in the affiliated company Globis Wrocław Sp. z o.o. This affected the level of long-term investments accounting, in the 3rd quarter of 2003, for 37.6% of the last year's total. However, a minor growth in fixed assets in the current quarter was chiefly the effect of changes in the tangible fixed assets item connected with purchases and upgrading (especially of hotel buildings as well as machines and equipment), bringing about an increase in the balance by 2.1% as compared to the end of the 2nd quarter.

As at the end of the 3rd quarter of 2003, the balance of current assets was at the level reported in the 3rd quarter of 2002 and by 7.9% lower as compared to the 2nd quarter of the current year.

This is attributable to the decrease in the majority of balance-sheet categories of that group in the course on the 3rd quarter.

Short-term investments in short-term financial assets – securities – dropped by 43.8% as compared to the preceding quarter which was accompanied by an increase in cash and cash equivalents in the Company by 11.2%.

Similarly, short-term debtors went down by 9.2% as compared to the 3rd quarter of 2002 and by 4.9% against the 2nd quarter of the current year. The dominant position is played by trade debtors, both affiliates and other companies.

The level of deferred costs and prepayments was, in the 3rd quarter of 2003, by 14.2% higher as compared to the end of the 2nd quarter of 2002; chiefly as a result of posting higher operating costs such as a fee for the perpetual usufruct of land, tax on real property, land taxes, write-offs for the Company Social Fund and costs of wages and salaries. Simultaneously, deferred costs and prepayments went down decidedly as compared to the end of the preceding quarter (28%) as a result of posting costs to particular reporting periods.

Continued pursuance of the Company's policy related to the reduction of stocks resulted in a substantial decrease in stocks (11.9%) as compared to the end of the 3rd quarter 2002, yet no significant changes were observed as compared to the preceding quarter of the current year.

Liabilities

Some minor changes in the share of equity in the structure of the Company's financing take place from one quarter to another. In the current quarter, equity accounted for 85.6% of total liabilities. As at the end of 3rd quarter of 2003, the initial capital constituted 7.6% of the equity; supplementary capital accounted for 60% while the revaluation reserve for 22.1%, while other reserves for 5.4% and the above structure has remained stable quarter after quarter.

The value of the initial capital did not change. As compared to the end of the 3rd quarter of 2002, supplementary capital grew by 2.9% while the revaluation reserve went down by 6.1%. These changes are predominantly related to appropriations within the equity connected with the distribution of profit generated in the year 2002 and in the previous years and with the sale of fixed assets but also with changes in the valuation of investment real property and changes in a provision for deferred tax on temporary capital differences.

Amounts due to creditors and provisions account for 14.4% of the total liabilities. Provisions for future liabilities account for 37.3% of the total liabilities, short-term creditors constitute 27.6% and long-term creditors account for 26%. Accruals and deferred income account for 9.1% of creditors and provisions for future liabilities and comprise predominantly prepayments (68.5%).

At the end of the 3rd quarter of 2003, provisions for future liabilities accounted for 98.4% of this figure reported in the 3rd quarter of the preceding year and was at the level

neering that noted in 2nd quarter of 2003. As compared to the past year, the provision for deferred income tax as well as other provisions went up, while the provision for pension benefits and alike went down. Other provisions include: long-term provision for costs related to the take-over of leasing and short-term provisions for effects of court proceedings.

In practice, since the end of the 3rd quarter of the preceding year long-term creditors have undergone only insignificant changes brought about by foreign exchange rates fluctuations. This item predominantly includes a long-term credit granted by a consortium of banks.

The sum of short-term creditors accounted for 67% of the corresponding figure reported at the end of the 3rd quarter of 2002. Liabilities to other companies (a 82.9% share) and, in terms of liabilities type, trade creditors, dominated the short-term creditors. The 35% decrease in short-term creditors against the preceding quarter of the current year was predominantly connected with the payment of liabilities for the dividend due to Company's shareholders for the year 2002 as well as with the repayment of short-term loans as well as with the decrease of all other liabilities items. Special Funds (Social Benefits Fund) decreased 14.4% over that period.

6. Analysis of figures reported in the profit and loss account

In the 3rd quarter of 2003 sales revenues generated by Orbis S.A. amounted to PLN 169,006 thousand, i.e. by 3.3% higher than in the 3rd quarter of 2002 (Sofitel Kraków excluded). Occupancy rate amounted to 56.2%, i.e. 3.4 percentage points higher than in the 3rd quarter of 2002. Orbis S.A. hotels reported an Average Daily Rate (ADR) at the level of PLN 202.4, i.e. by 1.8% lower than in the 3rd quarter of 2002. Revenue per available room (RevPAR) amounted to PLN 113.8, that figure being by 3.9% higher as compared to the 3rd quarter of 2002. In the 3rd quarter of 2003, the total number of rooms sold in the Orbis Hotel Group amounted to 501,426, i.e. by 0.8% more than in the 3rd quarter of 2002. The total number of available rooms stood at 9,695 which was by 4.5% lower than in the 3rd quarter of 2002.

In the three quarters of 2003 sales revenues generated by Orbis S.A. amounted to PLN 437,651 thousand, i.e. by 2.7% lower than in the three quarters of 2002. In that period the occupancy rate amounted to 45.8%, i.e. by 1.1 percentage point lower than in the three quarters of 2002. In the three quarters of 2002, Orbis S.A. hotels reported an Average Daily Rate (ADR) at the level of PLN 209.9, i.e. a level comparable to that reported in the three quarters of 2002. Revenue per available room (RevPAR) amounted to PLN 96.2, that figure being by 2.2% lower as compared to the three quarters of 2002. In the three quarters of 2003, the total number of rooms sold in the Orbis Hotel Group amounted to 1,211,424, i.e. by 5.7% less than in the three quarters of 2002. The average number of available rooms amounted to 9,689 and was by 0.7% higher than in the three quarters of 2002. The decrease in the total number of rooms available in Orbis S.A., both in the 3rd quarter of 2003 and in the 1st half of 2003, was brought about by Sofitel in Kraków having been closed in November 2002 and upgrading of hotel rooms in, among others, Novotel Centrum in Warsaw.

In line with the business and tourist traffic calendar in Poland, the 3rd quarter of 2003 was a period of intensified sales of hotel services, as compared to the first two quarters of the year. Sales of room services in Orbis S.A. hotels realized in that period confirm the positive co-relation between the level of sales of Company's services and the GDP growth rate in Poland and in the European countries as well as with the international geo-political situation shaping up the overall level of tourist traffic in the world. It should also be highlighted that a drop in the Average Daily Rate observed in the 3rd quarter of 2003 as well as a slight increase in that figure in the entire 1st half of 2003 are attributable to a sustained strong EURO/PLN exchange rate over that period which allowed to generate better revenues from the sale of rooms to the foreign incoming traffic. However, strong competition in the hotel industry – particularly evident in cities like Warsaw and Kraków - invariably represents a factor exerting an adverse impact on the sales of rooms in Poland. Growth in the number of available rooms that has been observed for a few years keeps bringing the number of sold rooms down in individual hotels belonging to the network and adversely affects the level of realized prices.

The rate of GDP growth in Poland in the 3rd quarter of 2003, as assessed by the Ministry of Finance, stood at 3.9% and is reflected in the sales of rooms to business clients, which, in the 3rd quarter of 2003, despite strong competition in the industry, went up as compared to the 3rd quarter of 2002 (+9.1% 3rd quarter of 2003/3rd quarter of 2002), and in the three quarters of 2003 it went up by 1.2% as compared to the three quarters of 2002. Therefore, the share contributed by business clients to the number of rooms sold in the 3rd quarter of 2003 increased to reach 42% (38.8% in the 3rd quarter of 2002), and in the three quarters of 2003 the said share amounted to 51.1% (47.7% in the three quarters of 2002). In the 3rd quarter of 2003, the Average Daily Rate in the business segment stood at PLN 245.5 which was by 8.2% less than in the 3rd quarter of 2002. In the three quarters of 2003, the ADR generated in that segment amounted to PLN 247.2 which translated into a 5.2% drop as compared to the three quarters of 2002.

Sales of rooms to tourists fell mainly as a result of Iraqi conflict and, partially, due to a limited tourist traffic caused by the occurrence of the SARS virus as well as by an economic slowdown in the USA and in some European countries. In the 3rd quarter of 2002, sales of rooms in that segment decreased by 4.5% as compared to the 3rd quarter of 2002 while in the three quarters of 2003 the drop in the sales of rooms in that segment amounted to 11.8%. Therefore, the share of tourists in the number of rooms sold went down, in the 3rd quarter of 2003, to 58.0% (61.2% in the 3rd quarter of 2002) and in the three quarters of 2003 it amounted to 48.9% (52.3% in the three quarters of 2002). In the 3rd quarter of 2003, the ADR reported in the tourist segment amounted to PLN 170.8, i.e. it rose by 2.1% as compared to the 3rd quarter of 2002. In the three quarters of 2003, ADR in the tourist segment equaled PLN 170.9 and grew by 4.2% as compared to the three quarters of 2002.

In the 3rd quarter of 2003, Poles accounted for 26.1% of guests visiting Orbis S.A. hotels and the sales of rooms to Poles increased by 0.5% as compared to the 3rd quarter of 2002. Thus, the share of foreigners in rooms sold equaled 73.9% over that period and the sales of rooms to foreign guests went up by 0.9% as compared to the 3rd quarter of 2002. In the 3rd quarter of 2002, Germans represented the most numerous group of Orbis

S.A. hotels' guests and contributed a 29% share to the total number of rooms sold, which was accompanied by a growth in the number of rooms sold by 1.1% (28.9% share in the 3rd quarter of 2002). Scandinavians formed the second large group contributing a 6% share to rooms sold – with an increase in the number of rooms sold by 13.3% (5.4% share in the 3rd quarter of 2002) followed by citizens of the USA and Canada whose share in the number of rooms sold equaled 6.6% - a drop in rooms sold by 6.1% (7% share in the 3rd quarter of 2002).

In the three quarters of 2003, Poles accounted for 32.8% of guests of Orbis S.A. hotels and the share they contributed to rooms sold went down from 35.2% in the three quarters of 2002. The number of rooms sold to Poles over that period decreased by 30.5% (three quarters of 2003/three quarters of 2002). The share in rooms sold contributed by foreigners rose from 64.8% in the three quarters of 2002 to 67.2% in the three quarters of 2003, with a drop in the sales of rooms to foreigners by 22.5% (three quarters of 2003/three quarters of 2002). The share of guests from Germany in the rooms sold stood, in the three quarters of 2002, at 24.6% (22.6% in the three quarters of 2002), with a 18.8% decline in the rooms sold (three quarters of 2003/three quarters of 2002). Scandinavians accounted for 6.3% of guests staying at Orbis S.A. hotels (6.1% in the three quarters of 2002), with a drop in the rooms sold by 23.3% ((three quarters of 2003/three quarters of 2002). The share of citizens of USA and Canada equaled 5.1% (5.7% in the three quarters of 2002), with a 33% decline in rooms sold (three quarters of 2003/three quarters of 2002).

Continued program of employment restructuring brings about a constant reduction in the number of employees. As at the end of the 3rd quarter of 2003, the average employment at the level of 5,451 was by 16.8% lower than in the past year. The coefficient of employment per room went from 0.63 at the end of the 3rd quarter of 2002 down to 0.54 in the year 2003. The average wages and salaries for the nine months of the current year amounted to PLN 2,513 and decreased by 2.2% as compared to the corresponding period of 2002.

In the three quarters of 2003, the share of net revenues from the sale of finished products, goods for resale and raw materials in total revenues amounted to 92.5% (98.3% in the 3rd quarter alone), while the share of costs of products sold in total costs – 73.8% (74.9% in the 3rd quarter alone) while the figure including costs of sales and general overheads amounted to 95.7%, and, therefore, changes in those items determine the Company's financial result to the most extent.

Following the three quarters of 2003, the incurred costs of finished products, goods for resale and raw materials were reported at the level of 86.7% of costs incurred in the corresponding period of the preceding year, costs of sales decreased by 4.3%, while general overheads fell by 4.6%. Similar figures are reported for the 3rd quarter of 2003.

Consequently, after the three quarters of 2003, the Company generated a profit on sales amounting to PLN 62.139 thousand, i.e. 141.7% of the result reported in same period of 2002.

Other operating revenues were reported at a similar level while other operating costs were by 15.4% higher than in the past year. In the 3rd quarter of 2003 alone, revenues fell

by 50% while costs dropped by 30.6% as compared to the 3rd quarter of 2002. Other operating revenues include, among others, revenues from trade marks, donations and damages received, refunds of apprentices' remuneration, revenues from real property treated as investments.

In the course of the three quarters of 2003, the Company generated financial revenues in the amount of PLN 28,878 thousand (over six times higher than in the corresponding period of past year) and incurred costs amounting to PLN 2,098 thousand (by 47.5% lower than in the corresponding period of the preceding year). Revenues went up in the 2nd quarter of 2003 as a result of a transaction of sale of company PolCard finalized in May. In consequence, the Company generated high result on financial activities amounting to PLN 26,780 thousand. Other financial revenues comprised of: dividend and interest on short-term banking deposits as well as positive foreign exchange differences. Financial costs were dominated by costs of interest on loans and credits and negative foreign exchange differences.

Following the three quarters of 2003, the Company generated a net profit of PLN 58,697 thousand, i.e. over twice as high financial result as compared to the analogous period of the preceding year which promises good forecasts for the closing of the year 2003.

7. Analysis of information contained in the financial statement – comparative changes in equity

In the 3rd quarter of 2003, no changes occurred in the amount of the initial capital.

As at the end of the 3rd quarter of 2003, the supplementary capital went up by 2.9% as compared to the corresponding period of the preceding year. The growth was attributable predominantly to the distribution of profit from 2002 and profit from previous years as well as to the reallocation of amounts from the revaluation reserve in connection with a sale of fixed assets, including titles to the perpetual usufruct of land acquired from the communes by virtue of administrative decisions.

Changes in the revaluation reserve were brought about by a change in the method of valuation of investment real properties that were reclassified to short-term investments (reversal to the acquisition price) and deducting their overestimated value from the capital and the resulting change in the provision for the deferred tax, as well as by the sale of fixed assets.

Other reserve capitals were credited with an amount equivalent to the value of titles to the perpetual usufruct of land granted to Orbis S.A. by virtue of administrative decisions and reported in the Company's assets for the first time as well as a result of distribution of profit from 2002. A minor decrease was connected with a sale of one of titles to the perpetual usufruct of land and posting the value of that title to the reserve capital. Consequently, as at the end of the 3rd quarter of 2003, the reserve capital stood at PLN 65,126 thousand.

In the 2nd quarter of 2003, the General Assembly of Shareholders granted its consent for the distribution of profit from previous years to credit the supplementary capital and the reserve capital and, therefore, this item equaled "zero" as at the end of the 2nd quarter.

As a result of the above presented changes, as at the end of the 3rd quarter the equity amounted to PLN 1,212,059 thousand.

8. Analysis of information contained in the financial statements – the cash flow statement

The cash flow statement of the Company is prepared by an indirect method.

After the 3rd quarter of 2003, net cash flows from operating activities closed with a positive value and showed a drop, for the three quarters, accumulatively. As regards the 3rd quarter of 2003 alone, cash flows were by 24.2% lower than in the corresponding period of past year.

This resulted predominantly from a positive net result for that period being higher than in the preceding year. The ratio between the net profit and the surplus of cash and cash equivalents from operating activities amounted to 99% for the two quarters of 2003. For the sake of comparison, the same ratio amounted to 35.8% only in the corresponding period of the preceding year (three quarters).

Similarly to the preceding quarters, the basic "costs" item reducing the Company's financial result is depreciation.

Decrease in the negative adjustment for deferred costs and prepayments in the course of the third quarter was a result of clearing in time of costs of additional wages and salaries for employees, fees for the perpetual usufruct of land, real estate and land taxes, while the difference in the balance of short-term liabilities is attributable to a general decrease in this item of the balance-sheet related to the repayment of liabilities.

In the three quarters of 2003, the investment operations of Orbis S.A. were dominated by receipts from the sale of shares in the company PolCard. Other receipts and investment outlays related to the purchase and sale of short-term securities and to the dividend received from an associated company Orbis Casino Sp. z o.o. Flows from investment activities closed with a negative balance of cash and cash equivalents which resulted mainly from transactions related to securities intended for sale. However, quite a considerable amount of these assets remains at the hands of Company which generated a profit of PLN 1,569 thousand on transactions of their sale that were concluded in the three quarters.

Also, the Company reported negative net cash flows from financial activities. In the three quarters of 2003, Orbis did not report any receipts from these activities, but it incurred expenditure in connection with the repayment of loans and with the payment of interest on a credit. However, cash flows were to the largest extent affected by expenditure related to the dividend on the profit generated in the year 2002 that was paid out to the shareholders.

9. Additional Information

- 9.1 As at November 5, 2003, the value of the Company's share capital amounts to PLN 92 154 016, and comprises of 46 077 008 shares having a par value of PLN 2 each. Shareholders who hold over 5% of the share capital include:

Shareholder	Share of votes at the General Assembly as at April 30, 2003.	Changes from April 30, 2003, till July 22, 2003	Share in the initial capital as at July 22, 2003 (share in the total no of votes)	No of shares as at July 22, 2003 (no of votes)
Accor SA	29.34%	-	29.34%	13 519 251
Deutsche Bank (including Reib International Holdings Limited – a subsidiary of DB AG)	12.42%	-	12.42%	5 721 357
CU OFE BPH CU WBK	10.37%	-	10.37%	4 778 190
	5.08%	-	5.08%	2 228 652
Globe Trade Centre S.A	5%	-	5%	2 303 853
JP Morgan Fleming Asset Management Ltd	5%	-	5%	2 307 600

In accordance with possessed information, no changes occurred with respect to the ORBIS S.A shares held by persons managing and supervising the Company since the presentation of the 2003 semi-annual report.

- 9.2 During the period between January 1, 2003 and June 30, 2003, ORBIS S.A. did not conclude any transactions with affiliates, the zloty-denominated value of which would exceed EUR 500.000 and which were not typical or routine transactions made at arm's length, the features or terms of which result from the current operating activities pursued by the Company.
- 9.3 During the period between January 1, 2003 and June 30, 2003, neither ORBIS S.A. nor its subsidiaries issued guarantees for credit facilities or loans, they did not issue issued any guarantee for the benefit of an entity or its subsidiary, either, the total value of which would amount to at least 10% of ORBIS S.A. equity.

10. Other events affecting the financial standing of the Orbis Group

- 10.1 On February 28, 2003, the Management Board of Orbis S.A. acting jointly with six other shareholders of the company PolCard S.A. with its registered address in Warsaw, in aggregate holding 99.67% of the Company's initial capital, signed an agreement for the sale of their share holdings in the Company. The Company sold the entire block of shares held by it, comprising of 3,000 (three thousand) registered shares having a total nominal value of 300,000 Zloty (three hundred thousand) and constituting 9.9% of Polcard's initial capital for a price constituting in Polish zlotys an equivalent of US\$ 5,940,600.

The buyer is G.I.C. Usługi Finansowe Sp. z o.o. with its registered address in Warsaw, a subsidiary of GTECH Corporation with its registered address in West Greenwich,

Delaware, USA. Indirect shareholders of the buyer are also the Innova/98 L.P. and Innova/3 L.P. funds.

The share sale agreement was conditional by nature and will become binding upon obtaining a consent of the President of the Office for the Protection of Consumers and Competition and upon waiver by the Polish Banks' Association of its pre-emptive rights to purchase the Company's shares.

/Current report no. 3/2003/

- 10.2** On April 1, 2003, Orbis S.A. and Accor Poland signed an Amending Annex to the Conditional General Franchising Agreement dated July 26, 2000, concerning the Mercure Helios Hotel in Toruń. By virtue of the said Annex, this hotel operating as Helios Hotel in Toruń will begin its operations under the Mercure brand as from April 1, 2003. At present, modernization works are being finalized in the hotel. The Mercure Helios Hotel in Toruń is the eight hotel belonging to Orbis S.A. and operating under the Mercure brand.

/Current report no 5/2003/

- 10.3** The Supervisory Board of Orbis S.A. took a decision to extend the agreement executed with a chartered auditor – the company Deloitte and Touche Audit Services Sp. z o.o. having its seat in Warsaw at 6 Fredry street, entered in the register of entities authorized to audit financial statements under the number 73, with which "Orbis" S.A. has cooperated in the field of the audit of financial statements since 2000 and to entrust the aforementioned chartered auditor with the review and audit of financial statements of the company "Orbis" S.A. and of the consolidated financial statements of the Orbis Group for the year 2003.

- 10.4** Since the conditions precedent incorporated in the share sale agreement involving the block of shares held by Orbis S.A. in the company PolCard S.A. with its corporate seat in Warsaw (the Company) signed on February 28, 2003, with six other shareholders of the Company, holding jointly with the Seller 99.67% of the Company's initial capital, have materialized, on May 22, 2003 the parties to the transaction performed the acts needed to transfer the shares in PolCard to the Buyer and receive the payment of the price.

/Current report no 9/2003/

- 10.5** On June 24, 2003, Orbis S.A. and Accor Polska Sp. z o.o. having its corporate seat in Warsaw and Accor S.A. having its z corporate seat in Evry, France, entered into a Share Sale and Purchase Agreement of shares in the company Hekon Hotele Ekonomiczne S.A. having its z corporate seat in Warsaw.

According to § 2.1.30 of the Regulation issued by the Council of Ministers on October 16, 2001, concerning current and periodical information to be reported by securities' issuers (official journal "Dz. U." No 139, item 1569, as amended), two companies, i.e. Accor Polska and Accor S.A. are affiliated with Orbis since Accor S.A. has over 20% of votes at the General Assembly of Orbis Shareholders, while Accor Polska is a subsidiary of Accor S.A.

By virtue of the Agreement, Orbis undertook to purchase, and Accor Polska undertook to sell 100% shares in the registered capital of Hekon. The acquisition of Hekon shares

by Orbis is conditional upon obtaining, by Orbis, of the consent given by President of the Consumer and Competition Protection Office and a decision issued by the Minister of Internal Affairs and Administration (conditions precedent).

The price of Hekon shares defined in the Agreement amounts to PLN 404,168,107.92, which exceeds 10% of "Orbis" S.A. equity, therefore the said Agreement is deemed a "material agreement". The Agreement provides for a mechanism of partial settlement of the price in the amount of approx. PLN 110,000,000 with the use of cash in possession of Hekon and a price adjusting mechanism based on Hekon's financial results on the date of acquisition of shares by Orbis. The price will be paid in two installments, of which one being equal to 85% is payable on the date of acquisition of shares by Orbis and the second equal to 15% of the price will be payable not later than within 5 years from the date of acquisition of shares by Orbis. In respect to the first installment, the parties agreed that it will be converted into euro according to the mean rate of exchange published by the National Bank of Poland (NBP) on the date preceding the date of signing the Agreement, and the parties will split in half the financial effects resulting from the fluctuation of the euro/zloty exchange rate between the date of signing the Agreement and the transaction closing date. The second installment of the purchase price, after being converted into euro according to the mean rate of exchange published by the NBP on the date preceding the date of signing the Agreement, will bear interest rate until the date of payment according to the EURIBOR for 6-month deposits plus 1%. The accrued interest will be paid per annum on each anniversary of acquisition of the shares by Orbis.

Under the said Agreement, Accor Polska made the following covenants:

- not to take up any competitive activity within 8 years from the date of Orbis' acquisition of Hekon shares; in case of breach of this covenant, Accor Polska will be obligated to pay a contractual penalty to Orbis in the amount of 7.5% of net revenues of each hotel which would conduct an activity in violation of the non-competition covenant;
- to enter into an agreement with Orbis, by virtue of which Orbis would take over the management of the Mercure Chopin hotel in Warsaw from January 1, 2004; in case of breach of this covenant, Accor Polska will be obligated to pay a contractual penalty to Orbis in the amount of 1.5% of the Hekon share purchase price;
- in case of opening by any of the companies belonging to the Accor Group, within 8 years from the date of acquisition of Hekon shares, of a hotel under any of Accor brands in Lithuania, Latvia, Estonia or the Kaliningrad district, to enter into an agreement with Orbis so that Orbis would manage such a hotel;
- in case of opening by Orbis, within 8 years from the date of acquisition of Hekon shares, of a hotel in Lithuania, Latvia, Estonia or the Kaliningrad district, to enter into an agreement under which Orbis would be permitted to manage such a hotel under one of Accor brands;
- to engage in negotiations with a view to enter into an agreement for sale to Orbis of shares in the company which is currently in charge of construction of the "Ibis Muranowska" hotel in Warsaw, after completion of the said construction process.

In addition, Orbis made certain covenants to Accor Polska under the said Agreement. Violation of some of such covenants would result in a duty to pay contractual penalties

by Orbis. The value of such contractual penalties may not exceed 5% of the Hekon share purchase price plus an equivalent in Polish Zloty of euro 640,000. In case of breach of any of the covenants by Orbis, Accor Polska shall be entitled to seek indemnity in excess of the contractual penalty, is the value of damages actually incurred by Accor Polska exceed the amount of the contractual penalty.

In the Agreement, Accor S.A. guaranteed the payment by Accor Polska of all an any amounts lawfully adjudicated as payable by Accor Polska to Orbis under this Agreement.

/Current report no 13/2003/

- 10.6** As of June 25, 2003, Mr. David Netser resigned from his function as a member and Vice-Chairman of the Orbis S.A. Supervisory Board.

/Current report no 14/2003/

- 10.7** On June 26, 2003, the General Assembly of Orbis S.A. Shareholders was held. The General Assembly approved the following:

1. the Management Board's report on the activity of the Company for the period from January 1, 2002, up till December 31, 2002.,
2. The financial statements of the Company including:
 - balance sheet prepared as of December 31, 2002, showing the total assets and liabilities figure of PLN 1,377,401,709.69 (say: one billion three hundred seventy seven million four hundred and one thousand seven hundred and nine Polish Zloty and 69 Grosze);
 - profit and loss account for the period from January 1, 2002, up till December 31, 2002, showing a net profit of PLN 31,056,963.89 (say: thirty one million fifty six thousand and nine hundred sixty three Polish Zloty and 89 Grosze);
 - comparative changes in equity, reported as of January 1, 2002, at PLN 1,175,150,211.28 (say: one billion one hundred seventy five million one hundred fifty thousand and two hundred and eleven Polish Zloty and 28 Grosze) and the balance as of December 31, 2002, amounting to PLN 1,170,395,623.94 (say: one billion one hundred seventy million three hundred ninety five thousand and six hundred and twenty three Polish Zloty and 94 Grosze);
 - cash flow statement for the period from January 1, 2002, up till December 31, 2002, showing a change in the balance of cash and cash equivalents during the financial year by a net amount of PLN 54,217,471.86 (say: fifty four million two hundred seventeen thousand four hundred and seventy one Polish Zloty and 86 Grosze);

3. the apportionment of the net profit generated during the financial year ended December 31, 2002, amounting to PLN 31,056,963.89 (say: thirty one million fifty six thousand and nine hundred sixty three Polish Zloty and 89 Grosze) to:
 1. supplementary capital - in the amount of PLN 14,739,681.17
 2. reserve capital - in the amount of PLN 651,100.00
 3. dividend - in the amount of PLN 15,666,182.72
4. the posting of the past year's profits amounting to PLN 69,244,709.70 reported in the balance sheet prepared as of December 31, 2002, to:
 - 1) the supplementary capital, in the amount of PLN 4,568,599.14,
 - 2) the reserve capital, in the amount of 64,676,110.56, i.e. an equivalent of the titles to perpetual usufruct of land, granted to "Orbis" S.A. by virtue of administrative decisions and reported for this first time as the Company's assets, according to the value of the land as of the date of issue of the decision concerning granting the title to perpetual usufruct of the land, which constituted the basis for calculating the fee for perpetual usufruct.

as well as granted a vote of discharge to members of the Management Board and the Supervisory Board in respect of performance of their duties in the financial year ended December 31, 2002.

10.8 The General Assembly of Orbis S.A. Shareholders approved also the annual consolidated financial statements of the Orbis Group, prepared as of December 31, 2002, including:

1. consolidated balance sheet prepared as of December 31, 2002, showing the total assets and liabilities figure of PLN 1,463,156 thousand (say: one billion four hundred sixty three million one hundred and fifty six thousand Polish Zloty);
2. consolidated profit and loss account for the period from January 1, 2002, up till December 31, 2002, showing a net profit of PLN 34,583 thousand (say: thirty four million five hundred eighty three thousand Polish Zloty);
3. consolidated comparative changes in equity for the period beginning on January 1, 2002, until December 31, 2002, reporting a decrease of the equity by PLN 1,152 thousand (say: one million one hundred fifty two thousand);
4. consolidated cash flow statement for the period from January 1, 2002, up till December 31, 2002, showing a change in the balance of cash and cash equivalents during the financial year by a net amount of PLN 55,470 (say: fifty five million four hundred seventy thousand);
5. additional notes;

10.9 In connection with Mr. David Netser's resignation from his function of a Supervisory Board member, the General Assembly of Shareholders appointed Mr. Justin Chuter as a member of the Supervisory Board during its V term of office.

10.10 The General Assembly of Orbis S.A. Shareholders granted its consent for:

1. the transfer of the title to perpetual usufruct of a plot of land no. 22/24 k.m.39 with an area of 3422 m², Bogucice Zawodzie zone, located in Katowice at Rożdzieńskiego street, entered in the land and mortgage register KW 22609 kept by

the District Court in Katowice, to the Town Office in Katowice, without recourse to the tender procedure.

2. the transfer of plots of land no. 167/1 and 180/5 with a total area of 815m² located in Cieszyn at Motelowa street, for which a land and mortgage register no. KW 51095 is kept by the District Court in Cieszyn, without recourse to tender procedure, for the benefit of Mr. W.Prax and Mrs. B. Biernot,
3. the transfer of the title to perpetual usufruct of a part of a real property consisting of land located in Zegrze Płd., at Rybaki street, Nieporęt Commune, and composed of plot no 125/3 having an area of 1,513 m² registered in the land and mortgage register no KW IV-31362 kept by the District Court in Legionowo, IV Land and Mortgage Registry Division, without recourse to tender procedure, to the General Directorate of Public Roads and Motorways in Warsaw, however, the sale price may not be lower than the market value appraised by a real property expert, plus an additional cost of fencing installed on plot no 125/3 in the form of a wire net installed on a concrete base between the geodetic points "F" – "e 1".
4. the transfer of the title to perpetual usufruct of a plot of land no. 23 with the total area of 21,555.00 m² and a title to buildings erected on that plot of land, located in Warsaw at 47 Łopuszańska street, in respect of which a land and mortgage register KW 212999 is kept by the District Court for the Capital City of Warsaw, VI Land and Mortgage Registry Division, without recourse to the tender procedure, to "ORBIS Transport Sp. zo.o.", for a price not lower than that determined by the real property expert.
5. the transfer of the title to perpetual usufruct of plots of land no 1/5, no 1/159, no 1/160, no 4/6, no 4/12 and no 4/13 having a total area of 28,992 m² and the ownership title to the „ORBIS” S.A. buildings situated on these plots, located in Poznań, at 5, Prusimska street, registered in the land and mortgage register no KW 167966, kept by the District Court in Poznań, Land and Mortgage Registry, by way of unlimited written tender organized in accordance with the Act on Administration of Real Property (published in the journal of laws "Dz.U." of August 29, 1997, as further amended), for an amount not less than as determined by a real property expert.

10.11 Having been familiarized with the position of the Management Board and the Supervisory Board of the Company expressed in particular in the Resolution no 13 of the Company's Management Board dated June 10, 2003, and Resolution no 59/V/2003 of the Supervisory Board dated May 28, 2003, the Ordinary General Assembly of Orbis S.A. Shareholders decided to adopt the "Best Practices in Public Companies 2002" outlining the principles of corporate governance for joint-stock companies which issue shares or bonds with a priority warrant admitted to public trading, together with a commentary defining the manner of compliance by the Company and the General Assembly of Orbis S.A. Shareholders recommended that these principles be applied by the Company's governing bodies.

10.12 On August 5, 2003, the Supervisory Board of Orbis S.A. appointed Mr. Alain Billy as a member of the Management Board during its V term of office

10.13 On August 6, 2003, the Management Board of Orbis S.A. decided to put forward a motion to the General Assembly of Shareholders under § 29 section 1 point 9 of the Company's statutes to grant consent for multiple issues of unsecured bearer bonds denominated in Polish zloty of a total nominal value not exceeding the amount of PLN 250,000,000 (say: two hundred fifty million Polish zloty) under Article 9 point 3 of the Bonds' Act of June 29, 1995, i.e. by way of non-public issues.

10.14 On September 9, 2003, the international rating agency Fitch Ratings lowered the domestic long-term rating of Orbis S.A. to "BBB+(pol)" from "A-(pol)". The rating perspective is stable.

The change in rating stems from deteriorating operating results of Orbis S.A., including the occupancy rate, revenues per available room (RevPAR), decreasing EBITDA margin and worse cash flows resulting from the growing competition on the hotel market in Poland.

/Current report No. 24/2003/

10.15 An Extraordinary General Assembly of Shareholders of Orbis S.A. was held on September 11, 2003. The Assembly granted its consent for multiple issues of unsecured bearer bonds of a total nominal value not exceeding the amount of PLN 250,000,000 under Article 9 point 3 of the Bonds' Act of June 29, 1995, i.e. by way of non-public issues. The bonds will be denominated in Polish zloty.

/Current Report No. 25/2003/

10.16 On September 23, 2003, the Supervisory Board recalled a member of the Orbis S.A. Supervisory Board, Mr. Laurent Picheral.

/Current report No. 27/2003/

10.17 On October 8, 2003, the President of the Consumer and Competition Protection Office gave his consent for concentration consisting in take-over, by "Orbis" S.A., of control over Hekon - Hotele Ekonomiczne S.A. having its corporate seat in Warsaw and over a part of the business of Societe d Exploitation Hotek Polska Sp. z o.o. having its corporate seat in Warsaw, thus fulfilling the condition precedent to the Agreement described in the current report no 13/2003 .

The content of the permit granted by the President of the Consumer and Competition Protection Office relating to the part of the business run by Societe d Exploitation Hotek Polska Sp. z o.o. having its corporate seat in Warsaw, relates to take-over of management over the Mercure Chopin Hotel in Warsaw by Orbis S.A., as provided for in the Agreement.

/Current report No. 28/2003/

10.18 Implementing the Share Sale and Purchase Agreement entered into on June 24, 2003 (hereinafter referred to as the "Agreement"), on October 31, 2003, Orbis S.A. having its corporate address at 16, Bracka street, Warsaw, Poland, registered in the register of

business operators kept by the District Court for the Capital City of Warsaw, XIX Economic Registry Division, under the number KRS 0000022622, (hereinafter referred to as "Orbis") acquired from the company Accor Polska Sp. z o.o. having its corporate address in Warsaw (hereinafter referred to as "Accor Polska") 100% shares in the company Hekon - Hotele Ekonomiczne S.A. having its corporate address in Warsaw (hereinafter referred to as "Hekon"), i.e. 300.000.000 registered shares having a nominal value of PLN 1 each

According to the Agreement, the price of Hekon shares amounts to PLN 404,168,107.92 PLN. On the acquisition day, Orbis paid the first installment equal to 85% of the price. Under the Agreement, the first installment was increased by an amount of PLN 6,368,837.28 payable within 10 business days from the acquisition date. This amount results from the settlement mechanism of the EURO/PLN exchange rate for the period from the date of executing the Agreement until the acquisition date, as provided for in the Agreement. The second installment equal to 15% of the price shall be paid not later than within 5 years from the date of acquisition of the shares by Orbis after its conversion into EURO according to the average rate of exchange quoted by the National Bank of Poland on the date preceding the date of executing the Agreement and shall bear interest until the date of payment according to EURIBOR for 6-month deposits plus 1%. The accrued interest shall be paid on a yearly basis on each anniversary of share acquisition by Orbis. The value of Hekon shares in Orbis' accounting books shall be equal to the acquisition price.

Hekon shares constitute assets of major value according to § 2.1.45 of the Regulation issued by the Council of Ministers on October 16, 2001, concerning current and periodical information to be reported by securities' issuers (published in the official journal of the Republic of Poland "Dz. U." No 139, item 1569, as amended), since they exceed 10% of Orbis' equity.

The sources of financing of the acquisition of Hekon shares include own funds and loan granted by a consortium of banks led by Credit Lyonnais. A part of the first installment has been settled by a non-cash set-off of mutual payments between Orbis and Accor Polska.

Acquisition of Hekon shares is tantamount to take-over by Orbis of control over hotels operated by Hekon – Orbis plans to continue their operations.

Acquisition of Hekon shares is a long-term capital investment for Orbis.

The shares acquired in Hekon entitle Orbis to 100% of votes at the General Assembly of Hekon Shareholders.

According to § 2.1.30 of the Regulation issued by the Council of Ministers on October 16, 2001, concerning current and periodical information to be reported by securities' issuers (official journal "Dz. U." No 139, item 1569, as amended), Accor Polska and Orbis are affiliates since Accor Polska's controlling company has over 20% of votes at the General Assembly of Orbis Shareholders."

/Current report No. 30/2003 and 31/2003/

11. Litigation pending in courts of law and public administration authorities

No court or administrative proceedings of a total value in excess of PLN 121 million, which corresponds to 10% of the Company's equity shown in the consolidated balance sheet prepared as at September 30, 2003 were initiated against the Company.

The following cases pending before the court are of particular importance for the Company:

- 11.1 Amongst the pending court litigation, the case of the „Hotel Europejski” in Warsaw is of particular importance to the Company. The case concerns the reinstatement of the real property with the building of the Europejski Hotel situated thereon, at 13, Krakowskie Przedmieście street, land and mortgage register no KW 201926, to the company which owned this real property prior to September 1, 1939, i.e. the company „Hotel Europejski w Warszawie” S.A. On behalf of Orbis S.A. the case is defended by Spółka Prawnicza I & Z s.c. having its seat in Warsaw, at 28 Chocimska street in cooperation with our Office. The following proceedings are currently pending in this case:
- a) Litigation before the civil court initiated by Orbis S.A. against the President of the Capital City of Warsaw (formerly Head of the Warsaw County) to obligate the defendant, i.e. the State Treasury, to transfer, against consideration of PLN 26 276 875, the ownership of the land to Orbis S.A. The attorneys of Orbis S.A., in a pleading dated January 15, 2002 motioned that the company Hotel Europejski S.A. in Warsaw be summoned to participate in the litigation and that the State Treasury – Head of Warsaw County (presently President of the Capital City of Warsaw) be obligated to submit an agreement on giving the land for perpetual usufruct to the company Hotel Europejski S.A. to be attached to court files. In accordance with the District Court's instruction, a pleading was filed specifying in detail legal grounds for summoning HESA to participate in the case, along with copies of statement of claim and a copy of the pleading dated January 21, 2002. Attorneys of Orbis S.A., in a pleading dated February 19, 2003 upheld their hitherto position and moved that evidence from expert technical analyses be admitted and that the persons listed in the letter be summoned and heard. At a trial on June 11, 2003, the attorney of HESA filed a pleading notifying of secondary intervention on the defendant's part. The Court took decision to adjourn the examination of the case until September 10, 2003. (Case file no IC 459/00)
 - b) On October 18, 2002, after Orbis S.A. had been advised of an entry in the land and mortgage register no. KW 201926 made on May 11, 2002 and concerning the disclosure of a bricked, four-storey building representing an object of ownership independent of the plot of land, with a total area of 21,125.9 m², designed for service-rendering purposes (hotel) entered in the land and mortgage register KW upon request dated March 06, 2002, Orbis S.A. filed an appeal against the above mentioned entry to the District Court through the intermediation of the Circuit Court for Warsaw-Mokotów in Warsaw, X Land and Mortgage Registry Division. In connection with the receipt on November 14, 2002, by Orbis S.A. of a notification from the Circuit Court for Warsaw-Mokotów in Warsaw, X Land and Mortgage Registry Division about the aforementioned entry, on November 18, 2002 Orbis S.A. filed and paid for an appeal against the said entry no. KW 201926. By virtue of a ruling of February 11, 2003 the District Court rejected the appeal filed by Orbis S.A..

A complaint was filed against that decision challenging the ruling of the District Court of February 11, 2003 in its entirety and requesting that it be annulled and the matter be passed to the District Court for re-consideration. The attorney of HESA filed a motion that the aforementioned complaint be rejected. Next, attorneys of Orbis S.A., on May 20, 2003, lodged a pleading representing a response to the motion for the rejection of the complaint.

- c) On April 14 2003, Orbis S.A. was delivered a statement of claim sent by the District Court in Warsaw, Economic Court, XX Economic Division and filed by “Hotel Europejski w Warszawie Spółka Akcyjna” against Orbis S.A. concerning the handing over of real property, together with a request for exemption from court costs. The value of object at dispute was assessed in the statement of claim at PLN 90,000,000. The complainant company requests that Orbis S.A. be ordered to hand over to HESA the real estate located in Warsaw at 13 Krakowskie Przedmieście street, with an area of 5261 m² together with a building constructed thereon, with a total area of 21125 m² constituting a separate object of ownership of the complainant. Orbis S.A. does not plead defense and requests that the action be rejected in its entirety and that proceedings related to the case at issue be suspended. In a pleading dated June 13, 2003, HESA’s attorney motioned that the defendant’s application for the suspension of proceeding not be accepted. In a letter dated July 8, 2003, Orbis attorneys upheld the motion to suspend the proceedings on this case. The case is pending.
- d) On July 17, 2003 Orbis S.A. filed a statement of claim with the District Court in Warsaw, I Civil Division against the State Treasury – the President of the Capital City in Warsaw and the company Hotel Europejski w Warszawie S.A. and motioned to declare the invalidity of an agreement dated September 13, 2001 concluded between defendants, concerning the establishment of a title to perpetual usufruct of Warsaw-based real property located at 13 Krakowskie Przedmieście street, entered in the Land and Mortgage Register under no. 201926 and that this action be secured by way of entering a warning in Section III of the Land and Mortgage Register informing of pending court proceedings to declare the invalidity of the said agreement. In the statement of claim, the value of the object of the dispute has been defined as equal to PLN 90,000,000 . In response to the claim HESA motioned for rejection of the claim in its entirety and ordering the refund of litigation costs to HESA by Orbis according to statutory prescriptions. The case is pending.

11.2. Kasprowy Hotel in Zakopane.

The case was pending before the District Court in Nowy Targ initiated by Helena Leśniak and Bronisława Biernacik for a reinstatement of their title to parts of plots no 185/2 and 185/3, map section 75 (total area of around 2.5 hectare) located in Zakopane, at the spot named Polana Szymoszkowa. By a decision dated July 31, 1996, the head of the District Office in Nowy Targ refused to reinstate the title to part of the said plots. This decision was revoked by the Nowosądeckie Voivod on September 24, 1996, and passed for further examination. The complaint filed on October 29, 1996, on behalf of Orbis S.A. before the Supreme Administrative Court in Warsaw against the above mentioned decision of the Voivod has been rejected. At present, the case will again be adjudicated by administrative authorities of the first instance. The case files have been passed to the Supreme Administrative Court as a result of a complaint filed by Orbis S.A. against a decision of the President of Housing and Municipal Development Office dated April 26, 2001, that upheld in force, after another review of the case, the

decision of January 26, 2001 concerning suspending the proceedings relating to declaration of invalidity of the decision of the Nowosądeckie Voivod dated August 11, 1994. On July 06, 2001 the President of the Housing and Municipal Office – in response to the complaint – moved that it be rejected. By virtue of a ruling dated April 17, 2003, the Supreme Administrative Court dismissed a complaint lodged by Orbis S.A. against the decision of the President of Housing and Municipal Development Office dated April 26, 2001 concerning the suspension of proceedings related to the establishment of invalidity of the enfranchisement decision

11.3. Kasprowy Hotel in Zakopane.

The case concerning termination of the title to the perpetual usufruct of the plot no 203/1 with an area of 30, 543 m² located in the spot named Polana Szymoszkowa granted to Orbis S.A. was again pending before the Nowosądeckie Voivod upon application filed by Czesława Ross and Maria Walczak. On December 22, 2000, the Supreme Administrative Court, external unit in Kraków, annulled the decision of the Nowosądeckie Voivod dated December 29, 1999, and the decision of the Head of the District Office in Nowy Targ dated March 14, 1996 concerning refusal to terminate the perpetual usufruct title in possession of Orbis S.A. On August 22, 2002, having reviewed the appeal of Mrs. Czesława Ross and Maria Walczak against the decision of the head of the Tatry district dated March 5, 2002, concerning annulment of the administrative proceedings concerning termination of the title to the perpetual held by Orbis S.A., the Małopolskie Voivod upheld the decision that has been appealed against in full force and effect and terminated the proceedings.

A complaint against the aforementioned decision was filed with the Supreme Administrative Court. The date of the hearing has not been fixed.

11.4. Grand Hotel in Warsaw.

The case was initiated by Mrs. Barbara Łukasik and Mr. Wiesław Pióro to declare invalidity of the administrative decision no PB/3318/50/4802/50 issued by the National Council's Presiding Board of the City of Warsaw on June 12, 1950, that refused to grant to the former owners the right to temporary ownership of land constituting a real property in Warsaw (part of plots no 133/1 and 133/2 having an area of 558m²), located at 20, Hoża street, mortgage no 1651/2-A. The President of the Housing and Municipal Development Office passed a decision in this matter on August 8, 2001 that refused to declare the aforementioned decision invalid. The applicant, Mrs. Barbara Łukasik, requested a review of the case by the Office. In response, the President of the Housing and Municipal Development Office issued a decision dated October 26, 2001, whereby it upheld the former decision dated August 8, 2001. Mrs. Barbara Łukasik complained to the Supreme Administrative Court in Warsaw. In response to a complaint dated February 6, 2002, the President of the Housing and Municipal Development Office applied for its rejection. By a decision dated August 20, 2003, the Supreme Administrative Court rejected the case in favor of Orbis S.A. pleadings. The decision is final and enforceable.

11.5. Grand Hotel in Warsaw.

A case is pending concerning declaration of invalidity of the administrative decision dated April 11, 1950, issued by the President of the Capital City of Warsaw, that refused to grant to the former owners the right to reinstate the time limit to file a motion for temporary ownership of land constituting a real property in Warsaw located at 19, Wspólna street and a decision dated April 17, 1950 refusing to grant to the former owners the title to temporary ownership of the said real property. By a decision dated September 20, 2002, acting on a complaint filed by Joanna Ostrowska-Bazgier, the Supreme Administrative Court revoked the decision of the President of the Housing and Municipal Development Office dated August 21, 2000, concerning declaration of invalidity of the above-mentioned administrative decision.

11.6. Mercure-Unia Hotel in Lublin.

Regulatory proceedings initiated by the Catholic University in Lublin (KUL) and involving the participation of Orbis S.A. concerning reinstatement of the KUL as the owner of the real property having an area of 1623 m², located in Lublin at 1, Akademicka street and 14, Raclawickie avenue, have been pending before the Property Commission in Warsaw since 1992. On July 20, 1998, KUL and Orbis S.A. executed a memorandum of understanding concerning conciliatory adjustment of the legal boundary of the real property separating plot no 2 that remains in the possession of KUL and the plot no 1/3 administered by the Orbis S.A. Branch - Mercure-Unia Hotel in Lublin. On October 5, 2001, the parties drafted a memorandum of understanding, by virtue of which KUL, within the framework of proceedings before the Property Committee, will waive its claims to part of the real property (1479 m²), while Orbis S.A. by a deed executed before a Notary will waive its perpetual usufruct right to part of the real property (139 m²). On November 20, 2001, the Municipal Office in Lublin by a decision no GGN.01.2.2.7430/366/2001 and GGN.01.2.2.7430/367/2001 approved the draft plan of division of the real property as requested by the parties while the Municipal Office in Lublin, acting upon request of Orbis S.A., issued a decision no GGN.05.1.5./RWU-165/2002, dated February 25, 2002, whereby it gave consent for a gratuitous disposal to the State Treasury of the title to the perpetual usufruct of the real property located in Lublin, at Al.Raclawickie 12, registered in the land register as plots no 3/3 with an area of 139 m², and 3/4 with an area of 19 m². At a trial on February 18, 2003, the attorney of KUL and Orbis S.A. motioned to make an agreement on terms agreed between the participants in the proceedings at issue and as provided for in a draft agreement sent to the Committee. The case is pending.

11.7. Gdynia Hotel in Gdynia.

Upon application of Orbis S.A. Branch in Gdynia dated May 11, 1998, the proceedings concerning adjusting the boundaries of the real property used by the branch is pending before the self-government and state administration authorities on the grounds of Article 14 & 5 of the Act of August 21, 1997, on Real Property Administration. The correction of the boundaries relates to plot no 678/129 with an area of 173m², plot no 728/150 and 729/150 having a total area of 493 m² (owned by the State Treasury), plots having an area of 617 m² (owned by the City of Gdynia). The proceedings concern the regulation of the boundaries between the Roman Catholic Parish and the hotel due to transgression of the boundary of the hotel property, having the total area of 679 m². The case is pending.

11.8. Sofitel Victoria.

On July 9, 2002 Orbis S.A. was informed by the Housing and Municipal Development Office that upon application of Edward Raczynski, replaced by his legal successors, Mrs. Catherine Raczynska, Mrs. Wanda Dembińska and Mrs. Wiridianna Rey, proceedings are pending in a case concerning determining the invalidity of the decision issued by the Ministry of Municipal Economy no MT/167/62 dated May 15, 1962, upholding the validity of the administrative decision issued by the Presiding Board of the National Council in the city of Warsaw, no GT.III-II-6/K/293/61 dated December 20, 1961, whereupon the right to temporary title to the land located in Warsaw at 5, Krakowskie Przedmieście street, registered in the land and mortgage register under the no 410, has been refused and whereupon all the buildings located at the said land became the property of the State Treasury. The President of the Housing and Municipal Development Office refused, by virtue of the decision dated February 24, 2003, to declare the invalidity of the aforementioned administrative decision dated December 12, 1961 and the decision dated May 15, 1962. On March 19, 2003, the attorney of Mrs. Raczynska, Mrs. Dembińska and Mrs. Rey filed a motion to re-consider the case related to the case resolved by virtue of the decision dated February 24, 2003 and motioned that the challenged decision be annulled in its entirety and that the aforementioned decisions of May 15, 1962 and of December 20, 1962 be declared invalid. By virtue of the decision dated April 24, 2003, the President of the Housing and Municipal Development Office upheld the aforementioned decision dated February 24, 2003. In response to the complaint dated June 30, 2003, the President of the Housing and Municipal Development Office motioned that it be dismissed. The case is pending.

11.9. Hotel Novotel Centrum in Warsaw.

a) Litigation has been initiated upon application of Mr. Andrzej Jacek Blikle and Mrs. Helena Maria Helmersen-Andrzejewska to declare the invalidity of an administrative decision that refused to grant to the former owners the right to temporary ownership of land constituting a real property in Warsaw, at 29 Al. Jerozolimskie avenue (presently numbered 35), part of plot no 3 having an area of 1,130 m², mortgage no 5021.

By virtue of a decision dated May 16, 2002, the President of the Housing and Municipal Development Office declared invalidity of the administrative decision of the Presiding Board of the National Council in the city of Warsaw no ST/TN-15/J/20/55 dated June 24, 1955. Orbis S.A. applied to the President of the Housing and Municipal Development Office to again review the case terminated by the said decision of May 16, 2002.

By virtue of the decision of March 31, 2003, the President of the Housing and Municipal Development Office upheld in force the aforementioned decision. On April 30, 2003 attorneys of Orbis S.A. filed a complaint with the Supreme Administrative Court against the decision issued by the President of the Housing and Municipal Development Office on March 31, 2003 and motioned that the challenged decision as well as the decision dated May 16, 2002 upheld by virtue of the said decision be annulled as well as motioned that the execution of challenged decisions be suspended. By a decision dated July 29, 2003, the Supreme Administrative Court decided to suspend the execution of the challenged decision of the President of the Housing and Municipal Development Office dated March 31, 2003.

- b) On September 28, 2001, the Supreme Administrative Court dismissed the complaint filed by Orbis S.A. against the decision of the President of the Housing and Municipal Development Office (no: P.5.3-WP-2/2000) dated December 29, 2000, which upheld a former decision issued by the President of the said Office on March 7, 2000 (no: PO.5.3.-R-29/99). In its complaint, Orbis S.A. pleaded for the declaration of invalidity of an administrative decision made by the Presiding Body of the National Council for the Capital City of Warsaw on November 6, 1951. By virtue of the said decision, which was based on the so-called "Warsaw Decree" dated October 26, 1945, the former owners have been disowned from their right to temporary ownership (according to the present legal status it is referred to as a "perpetual hold" over real property) to the real property located in Warsaw, at 26, Nowogrodzka street, part of plot no 3 having an area of 1,103 m² and it was stated that all the buildings located on the aforementioned plot of land became the property of the State Treasury.

The case relates to the part of land on which the Novotel Centrum Hotel in Warsaw is located. According to decision no 447/91 issued by the Warsaw Voivod on September 23, 1991, (no: G.2.1.8224a/429/91/HŚ), ORBIS S.A. acquired the right of perpetual hold over developed land owned by the State Treasury, located in Warsaw, at 24/26, Nowogrodzka street and having an area of 7295 square meters, as well as the right of ownership of the hotel building located thereon. The said land is registered in the land and mortgage register no KW 72550, according to which Orbis S.A. is the perpetual holder of the land as well as the owner of this building.

Administrative proceedings were held in the Head Office of the Warsaw County Office on March 12, 2002, concerning hearing of the application filed by Jan and Tadeusz Sławiński on September 14, 1948, concerning awarding the title to temporal ownership of the real property located at 26, Nowogrodzka street, mortgage no 1599 G. By virtue of an administrative decision dated December 4, President of the Capital City of Warsaw refused to establish the title to the perpetual usufruct of the said real property. As follows from the letter from the Office of the Capital City of Warsaw, Real property Management Division to the Voivodship Office of Mazowieckie Voivodship in Warsaw, Division of State Treasury and Ownership Transformations dated January 01, 2003 sent to Orbis S.A., Mrs Elżbieta Sławińska, Mrs. Teresa Szydlowska and Mr. Roman Sławiński, Mrs. Joanna Kubiacyk-Grodzka and proxy of Mr. Jerzy Sławiński and Maria Podkulińska – successors of former owners – filed appeals against the aforementioned decision issued by the president of the Capital City of Warsaw dated December 4, 2002. By a decision dated July 28, 2003, the Mazowieckie Voivod upheld the challenged decision. Complaint against the said decision has been filed with the Supreme Administrative Court. The case is pending.

11.10 Mercure Hevelius Hotel in Gdańsk

On November 14, 2001 proceedings under supervisory procedure were initiated on the motion of Mr. Aleksander Patalas concerning the declaration of invalidity of the decision of the Presiding Board of the National Council of the Office for Internal Affairs in Gdańsk, dated April 23, 1970, no WSW.III.6/60/9/70. rectified by the ruling of the Gdańsk Voivod dated May 15, 1981, no GT.C/8221/26/81 concerning the expropriation, for the benefit of the State Treasury, of real estate located in Gdańsk at Heweliusza street, owned by Mr. Franciszek Zieliński. By virtue of decision of January 28, 2003, the President of the Housing and Municipal Development Office suspended ex officio proceedings related to the consideration of the application filed by Mr.

Patalas for the declaration of invalidity of the aforementioned decision until court rulings on the acquisition of inheritance of Mrs. Renata Zielińska and Mr. Lothar Zieliński have been submitted.

11.11 Sofitel in Kraków (liquidated Branch).

By a decision dated May 25, 2001, the President of the Housing and Municipal Development Office upheld in force the appealed-against decision of the President of the Housing and Municipal Development Office dated July 1, 2000, refusing to declare the invalidity of the decision of the National Council's Presiding Board of the City of Kraków dated March 14, 1973, to the extent relating to expropriation of the real property located in Kraków, at Konopnickiej street, I. wh 162, registered in the land register as plots I. kat. 67, I. kat. 68, I. kat. 69, I. kat. 70, I. kat. 71, I. kat. 106/1, I. kat. 107/1 and I. kat. 105/1 as well as real property registered in the Land and Mortgage Register no KW 473 Ludwinów, designated as I. kat. 143, I. kat. 73, I. kat. 41 and I. kat. 72. In response dated August 29, 2001, to the complaint filed before the Supreme Administrative Court by Mrs. Teresa Dedio and other successors against decision dated May 25, 2001, the President of the Housing and Municipal Development Office applied for the rejection of the complaint. On June 17, 2003, the Supreme Administrative Court passed a ruling annulling the appealed-against decision and the preceding decision issued by the President of the Housing and Municipal Development Office dated July 01, 2000.

11.12 Novotel Okęcie Airport in Warsaw

On April 22, 2003, the Branch filed a claim with the District Court for the Capital City of Warsaw, IV Civil Division, against Małgorzata Bańkowska to release a part of the real property of the Hotel constituting a plot of land having an area of 90 m² which is in possession of the defendant without a legal title. A hearing was held on September 29, 2003. The date of the next hearing was scheduled for December 22, 2003. The case is pending.

11.13 Moreover, the following proceedings are currently pending before the Self-Government Appellate Boards in respect of updating the annual fees payable for the perpetual use of land belonging to the State Treasury and located in:

- in Poznań - Novotel Centrum Poznań Hotel,
- in Gdynia - Gdynia Hotel,
- in Gdańsk - Marina Novotel Gdańsk Hotel,
- Posejdon Gdańsk Hotel,
- Novotel Centrum Gdańsk Hotel,
- in Warsaw - Management Board's Office, at 16, Bracka street.
- Sofitel Victoria

11.14 Action brought against Orbis S.A. by the Association of Polish Film Makers for the payment of remuneration

Since the year 2001 a case has been pending before the District Economic Court in Warsaw against Orbis S.A., initiated by the Association of Polish Film Makers for the payment of remuneration for the use by Orbis S.A. between – as a result of changes in the action introduced on January 17, 2003 - July 1, 2000, and October 1, 2001, of audiovisual works of art on the exploitation field “public reproducing”. The change in the action consisted in the identification, by the plaintiff, of a different time period for which remuneration is sought, in the decrease of the rate used to calculate the amount of remuneration and, as regards the claim for interest, the change related to the identification that the plaintiff requests interest for a period running from the date of changed action until the date of payment. The value of the dispute amounts to PLN 304,600.

Orbis S.A motioned the District Court in Warsaw, Economic Court, XX Economic Division to dismiss the action in its entirety and to adjudge that the defendant reimburse the plaintiff for the costs of proceedings. On July 10, 2003, the District Court in Warsaw dismissed the action initiated by the Association of Polish Filmmakers and adjudged the amount of PLN 6,000 from the plaintiff for Orbis S.A. as reimbursement of costs of representation in proceedings of the law. The defendant appealed.

11.15 Action brought against Orbis S.A. by Prenad International AB and Prenad Sp. z o.o.

Action is pending before the International Centre for Arbitration in Vienna initiated by Prenad International AB, a company coming under Swedish law and Prenad Sp. z o.o., a company coming under the Polish law, against Orbis S.A. for the payment of remuneration. Plaintiffs altered their claims and, presently, they request the amount of SEK 12,262,706 (equivalent to PLN 5,964,580 according to the rate of echange as at June 30, 2003) and PLN 1,391,255 for works related to the modernization of the air-conditioning system at the Novotel Centrum Hotel in Warsaw. On July 2-3, 2003 a hearing was held in Vienna. The next date of the arbitration hearing was scheduled for November 18, 2003.

12. The following exchange rates were applied for the purpose of conversion of „Selected Financial Data” in the balance sheet into EURO:

- 1) Balance sheet figures - the average rate of exchange quoted by the National Bank of Poland on September 30, 2003 1 EUR = PLN 4.6435
- 2) Profit and loss account figures - the average arithmetical exchange rate calculated on the basis of the exchange rate as at the last day of the month of the given reporting period, i.e. – 1 EUR = PLN 4.3618
- 3) Balance sheet figures - the average rate of exchange quoted by the National Bank of Poland on September 31, 2002 1 EUR = PLN 4. 0782
- 4) Profit and loss account figures - the average arithmetical exchange rate calculated on the basis of the exchange rate as at the last day of the month of the given reporting period, i.e. – 1 EUR = PLN 3,8284

**Signature of the person
representing the Company**

Andrzej Szuldrzyński
Vice-President of the Management Board

**Signature of the person
in charge of the Company's accounts**

Lidia Mieleszko
Authorized Executive, Main Accountant,
– the person in charge of Company's
accounts

Warsaw, November 5, 2003.

Prepared by: Agnieszka Jurkowska
Grażyna Kozłowska